

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6130**

**BILL NUMBER:** SB 78

**DATE PREPARED:** Feb 24, 1999

**BILL AMENDED:**

**SUBJECT:** Medicaid disability.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill amends the Medicaid definition of a disabled person to include a person who has a physical or mental impairment, disease, or loss that appears reasonably certain to result in death or that has lasted or appears reasonably certain to last for a continuous period of at least twelve (12) months without significant improvement. (Current law requires that the impairment continue throughout the lifetime of the individual.)

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** (Revised) The estimated additional state costs associated with changing the medical definition for Medicaid disability is approximately \$53 million per year.

This bill changes the medical criteria for disability used in the state Medicaid program to match the definition used in the Supplemental Security Income (SSI) program. Indiana is one of two states in the nation that has a medical definition for disability, as well as financial criteria, that are more restrictive than SSI. There are currently an estimated 20,600 SSI recipients who do not receive Medicaid. Based on the 509 cases processed by OMPP during one week in December 1998, 114 applicants were listed as receiving SSI benefits. Of the 114 SSI recipients, 7 (or 6%) were denied Medicaid because of their financial situation (the financial eligibility criteria are not affected by the bill). After factoring out the cases that were denied for financial reasons, the cost of the remaining population was estimated by taking each individual's prime diagnosis and applying the capitation rates used in the managed care program for people with disabilities. This produced an average annual cost of about \$7,092 per person. After allowing for an estimated \$525,000 in administrative savings, the total costs of changing the definition of disability for the Medicaid program is estimated to be about \$137 million (federal share = \$84 million, state share = \$53 million). (Federal reimbursement for Medicaid service costs are about 61%, while administrative costs are shared at 50%/50%.)

Associated with the increased provision of health care services through the Medicaid program is some

potential reduction in future expenditures by other payors such as hospital charity care, township Poor Relief, the federal SSI program, and potential cost-shifts from the private-pay market. However, the amount of expenditure reduction that would be attributable to the provisions in this bill is not known.

**Explanation of State Revenues:** See Explanation of State Expenditures, above, regarding this bill's impact on Medicaid program expenditures that are cost-shared with the federal government.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:** Judith Becherer, Office of Medicaid Policy and Planning, 233-6467.